

Washington, D.C. – Today, Congressman Joe Sestak (PA-07) voted for the Student Aid and Fiscal Responsibility Act, which passed the U.S. House of Representatives by 253-171. The bill transitions federally subsidized student loans to the direct loan program, saving an estimated \$87 billion dollars over ten years, and invests those savings in increased Pell grants, expanded early education programs, school construction, and community college programs. The bill included language proposed by Congressman Sestak, which calls on the Secretary of Education to establish a service to assist students in determining whether their course credit will transfer to other institutions.

“Access to an affordable, high quality education is the foundation of the American dream. This bill will make college more affordable for working families-- those most in need of assistance,” said Congressman Sestak. “My amendment makes it easier for students to determine if course credits will be accepted if they transfer from one institution to another, which helps students complete their education in a more affordable and fair way.”

H.R. 3221 carries out proposals included in the FY 2010 budget, which require all new federal student loans to originate through the Direct Loan program starting in 2010, instead of through lenders who are subsidized by taxpayers in the federally-guaranteed student loan program. Unlike the lender-based program, the Direct Loan program is susceptible to market volatility and credit availability. Additionally, the direct loan program is administered at significantly lower cost to the government.

The savings that come from this bill will be reinvested into improving access to quality education: providing \$40 billion dollars for Pell grants-- increasing the maximum grant to \$5,550 in 2010 and to \$6,900 by 2019; increasing the available resources for Perkins Grants for individuals with significant financial need; simplifying federal financial aid application forms; and providing \$4 billion for school construction. The bill also invests \$10 billion in community colleges and further supports community colleges— through Congressman’s Sestak’s amendment—by ensuring that students are able to transfer to and from four-year institutions without costly credit transferability dilemmas arising.

As David Moldoff, chair of the Academic Progress Workgroup, noted “Congressman Sestak’s amendment acknowledges the national importance of addressing the transferability of course work completed at community colleges and other institutions prior to finishing their undergraduate degree. Our goal is to reduce the \$10 Billion annual ‘transfer tax’ by helping students better plan transfer – which in the end will improve student achievement, success and

lower costs for families across the country.”

Specific Provisions of the Student Aid and Fiscal Responsibility Act:

Termination of Private Lending Program

The bill eliminate the ability to make any additional loans in the Federal Family Education Loan program after June 30, 2010, thus shifting all new federal student lending to the Direct Loan Program. The federal government would originate all federally subsidized student loans, while private lenders would still be permitted to continue servicing government-issued loans.

Increasing Pell Grants

The bill increases the maximum annual Pell Grant scholarship in 2010 to \$5,550, from the current level of \$5,350. Beginning in 2011, the maximum award would automatically increase by an amount equivalent to the Consumer Price Index plus 1%. At this rate, the Pell Grant maximum is estimated to be \$6,900 in 2019. This costs roughly \$39.4 billion over the next ten years.

Student Loan Interest Rates

The measure provides for variable interest rates on subsidized student loans beginning in 2012. The rate would be capped at 6.8%. Under the bill, the rate charged would be equal to the 91-day Treasury bill rate plus 2.5 percentage points, and would be adjusted annually each July. The Congressional Budget Office estimates that the interest rate for federal subsidized Stafford loans would be 6.3% through 2015.

Expanding Perkins Loans

The measure provides schools with \$6 billion lending authority annually to make Perkins Loans to students on their campuses, intended to increase participation in the Perkins Loan program. Of the \$6 billion total, half of the funds would be allocated to institutions based on the unmet financial need among an institution's students. The other half will be allocated based on the extent to which institutions provide low tuition or high levels of non-federal financial aid, as well as on the number of Pell Grant recipients that graduate from the institution. The measure retains the current Perkins Loan interest rate of 5%.

Applications for Student Loans

The bill simplifies the Free Application for Federal Student Aid by reducing the number of questions that a family must answer to determine a student's financial aid eligibility. The measure allows the Education Department to replace the six current asset questions with a single "yes" or "no" question. It also eliminates several items that applicants must add to their income, such as child support payments received, military and clergy living allowances, and untaxed disability support.

Early Learning

The measure provides \$1 billion in FY 2010 through FY 2017 for the newly established Early Learning Challenge Fund. This program would provide competitive "quality pathways" grants to states for initiatives intended to increase the number of disadvantaged children in early learning programs and prepare more children for kindergarten. The program would serve children from birth through five years of age.

Community Colleges

The bill provides \$7 billion for grants to states and institutions of higher education to overhaul community colleges. It directs the Education and Labor departments to provide grants to technical colleges, public four-year institutions offering two-year degrees, states or public four-year institutions partnering with community colleges.

Grants provided in the bill could be used for a number of initiatives, including streamlined registration processes; specialized job placement counseling for vulnerable populations, including disabled veterans and ex-offenders; and creating evening, weekend, compressed, or distance learning formats.

In addition, the bill also provides \$2.5 billion in FY 2011 to renovate and modernize facilities for community colleges.

School Modernization & Repair

The bill provides \$2.1 billion each of FY 2010 and FY 2011 to renovate and modernize facilities for elementary and secondary schools (K-12). According to the committee report, repair projects would be intended to improve the teaching and learning climate, student and staff health, safety, and energy efficiency. The measure directs the Education Department to reserve 5% of these funds for assistance to local educational agencies serving geographic areas with significant economic distress and those recovering from a natural disaster. Funds could be used to repair roofs, electrical, plumbing, sewage, storm water runoff and lighting systems, heating, ventilation,

and air-conditioning systems. Funds for repairs could also be used to bring schools into compliance with fire, health, seismic and safety codes. In addition, local educational agencies could use this funding to comply with the Americans with Disabilities Act of 1990.

Born and raised in Delaware County, former 3-star Admiral Joe Sestak served in the Navy for 31 years and now serves as the Representative from the 7th District of Pennsylvania. He led a series of operational commands at sea, including Commander of an aircraft carrier battle group of 30 U.S. and allied ships with over 15,000 sailors and 100 aircraft that conducted operations in Afghanistan and Iraq. After 9/11, the Congressman was the first Director of Deep Blue, the Navy's anti-terrorism unit that established strategic and operations policies for the Global War on Terrorism. He served as President Clintons Director for Defense Policy at the National Security Council in the White House, and holds a Ph.D. in Political Economy and Government from Harvard University. According to the office of the House Historian, Congressman Sestak is the highest-ranking former military officer ever elected to the U.S. Congress.